



Sustainable Development  
Strategies Group

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# **SYNTHESIS REPORT**

**CONSULTING SERVICES FOR INDEPENDENT VALIDATION, 2016  
EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE**

COVERING AZERBAIJAN, GHANA, KYRGYZ REPUBLIC, LIBERIA, MALI, MAURITANIA,  
MONGOLIA, NIGERIA, NORWAY, PERU, SÃO TOMÉ & PRÍNCIPE,  
SOLOMON ISLANDS, TAJIKISTAN, AND TIMOR-LESTE

**25 MAY 2017**

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**CONSULTING SERVICES FOR INDEPENDENT VALIDATION, 2016  
EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE**

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## I. BACKGROUND

The EITI Board approved the EITI Standard in February 2016 with a revised Validation system. Validation is an essential feature of the EITI process that aims to hold countries to the same global standard by identifying impacts of EITI implementation, promoting dialogue, addressing stakeholder concerns, and safeguarding the integrity of the EITI. The May 2016 Validation Guide includes standard procedures for data collection, stakeholder consultation, and terms of reference (“TOR”) for the Validator. The Validation process has three phases:

1. Data collection by the International Secretariat, consisting of a desk review, country visit, stakeholder consultations, and development of its Initial Assessment;
2. Quality assurance by an independent Validator and submission of its Validation Report to the EITI Board through the Validation Committee; and
3. EITI Board review and determination of country compliance with the EITI Standard.

The EITI Board agreed in June 2016 that the Validation of 14 countries (Azerbaijan, Ghana, Kyrgyz Republic, Liberia, Mali, Mauritania, Mongolia, Nigeria, Norway, Peru, São Tomé and Príncipe, Solomon Islands, Tajikistan, and Timor-Leste) against the EITI Standard should commence on 1 July 2016. Pursuant to the Validation Guide, the International Secretariat carried out the first phase of Validation and prepared its Initial Assessments. SDSG was appointed as the independent Validator to evaluate whether the Secretariat’s work was carried out in accordance with the Validation Guide, and to recommend modifications to the Initial Assessments, as needed. Pursuant to the standard TOR, our SDSG Validation Team consisted of a Team Leader, Multi-Stakeholder Specialist, and Financial Specialist.

## II. THE VALIDATION GUIDE

The Validation Guide is more streamlined than previous rules, and the Assessment Card is a very helpful tool. There are, however, several relevant observations regarding the wording, interpretation, or application of several provisions:

- Certain provisions of the Validation Guide combine required, expected, or recommended disclosures, which can be confusing for implementing countries.
- The levels of progress can also be confusing in their application. *Meaningful* progress is defined, for example, as *significant* elements being implemented and the broader objective of a requirement being fulfilled. In the Initial Assessments, there are numerous discussions of implementation gaps under a particular provision, followed by the conclusion that progress is therefore meaningful. This is counter-intuitive given there is no explanation or context for these terms in the Assessments.

- Similarly, *inadequate progress* means significant aspects have not been implemented and the broader objective of the requirement is far from fulfilled. The assessment of progress – whether inadequate or meaningful – thus hinges on whether identified gaps are *significant*, and whether the broader objective of the requirement is being fulfilled. The Validator and International Secretariat agree it would be helpful for the Initial Assessments to address these levels of progress and determinations more explicitly.
- Whether progress is satisfactory has sometimes been unevenly applied. This is particularly evident with provisions that contain a list of requirements. Regarding Provision 2.3 on Registers of Licenses, for example, with respect to Mali, Liberia, and São Tomé and Príncipe, the International Secretariat assessed progress as meaningful given the lack of required information (e.g. lack of information on the informal sector or no dates of application provided). In other cases, progress was deemed satisfactory even where some required elements were missing, such as license information on an active production sharing agreement (Azerbaijan), dates of application (Norway), and coordinates of license areas (Timor-Leste).

Other instances where satisfactory progress was assessed even where required disclosures were insufficient include, for example:

- Ghana with respect to Requirement 2.2 on License Allocations, despite the lack of criteria for mining awards and data on transfers of oil and gas licenses;
- Norway and São Tomé and Príncipe with respect to Requirement 2.4 on Contract Disclosures, despite the lack of discussion on relevant reforms;
- Mongolia and Mauritania with respect to Requirement 3.3 on Exports, despite the lack of disaggregation by state or region;
- Peru and Norway with respect to Requirement 4.7 on Level of Disaggregation, despite the lack of documentation on disaggregation by government entity; and
- Mauritania and Ghana with respect to Requirement 6.3 on Contribution of the Extractive Sector to the Economy, despite the lack of data on the informal sector.

As ‘satisfactory’ progress means full compliance, all aspects of a requirement must presumably be met, without distinction. It would thus be helpful to clarify whether and to what extent there is any discretion in distinguishing among different sub-requirements.

- The assessment of Ghana highlights an issue with the wording of Provision 2.4 of the 2016 EITI Standard. A country whose stated policy is zero public disclosure of contracts can nonetheless show satisfactory progress by stating that policy and disclosing no further information.

- Unlike other provisions of the 2016 EITI Standard that place specific burdens on an MSG, Provision 4.4 on Transportation Revenues uses the term *expected* as its standard for MSG consideration. The *expected* standard focuses primarily on the nature and content of the discussions had by the MSG than the *should* standard. There is no apparent reason why the standard regarding transportation revenues should be different from the standard used for other revenue streams.

Finally, while the Guide is very helpful, it is sometimes less detailed and more generally worded than the EITI Standard. Following the Validation Guide without referring to the more detailed EITI Standard may lead the Validator to different conclusions. Therefore, it is important for Validators to refer to the specific wording of the Standard. It may be helpful to include the wording in the Validation Guide to lessen this concern.

### III. PHASE I OF THE VALIDATION PROCESS – The Work of the International Secretariat

*See Annex A, 2016-2017 EITI Initial Assessments: Phase 1, Validation Process*

- A. Desk Reviews.** The International Secretariat conducted desk reviews between June and October of 2016. The review periods varied widely, from ten days for Solomon Islands to 60 for Ghana. No period was specifically stated for Kyrgyz Republic and Norway, although the latter noted a four-month range. Notwithstanding the differences, it is evident that the Secretariat undertook a comprehensive and thorough review of relevant documents, including EITI work plans, communication materials, Multi-Stakeholder Group (MSG) meeting minutes, Annual Progress Reports (APRs), and EITI Reports.
- B. The International Secretariat’s Teams.<sup>1</sup>** The Secretariat had 14 staff involved in this phase: the Technical Director participated in 13 teams, four members joined between four and six teams, and the remainder worked on one to three teams. There is greater efficiency in the Secretariat undertaking this work, particularly if the team comprises members with varied but complementary skill sets and degrees of familiarity with a country. Except for Ghana, however, the teams were identified only by name without an indication of each member’s role and familiarity with a country. This would be helpful in confirming the appropriate balance in collective experience and perspectives. In this regard, it is also important to ensure continuing support for the Secretariat’s capacity in monitoring and evaluation, stakeholder engagement, and in developing the Initial Assessments.

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<sup>1</sup> The following members of the International Secretariat developed the Initial Assessments: Sam Bartlett (13), Ines S. Marques (6), Dyveke Rogan (6), Alex Gordy (4), Eddie Rich (4), Pablo Valverde (3), Gay Ordenes (2), Tatiana Sedova (2), Oliana Valigura (2), Bady Balde (2), Aida P Aamot (1), Gisela Granada (1), Francisco Paris (1), and Jürgen Reitmaier (1).

- C. Country Visits and Stakeholder Consultations.** The duration of the country visits was brief considering the goal of engaging stakeholders to assess progress in EITI implementation, promote dialogue, and identify impacts of the EITI. The average country visit was five days, ranging from three days in Mongolia to 12 days in Nigeria.

The teams were nevertheless able to meet with stakeholders representing different sectors, particularly those in capital cities who have already been engaged in the EITI. Outreach beyond the MSG and those familiar with EITI was limited, however, one exception being Liberia for which there was broader stakeholder input. This was perhaps attributable to the fact that there were five members on the Secretariat's team instead of the usual three. Another exception is Mali, which demonstrated proactive engagement by publishing a call for comments on EITI implementation in local newspapers and on their EITI website ahead of the Secretariat's visit.

On the whole, the consultative process was undertaken in a transparent manner, with stakeholders given several opportunities to provide comments. However, consultations outside of capital cities were conducted in only two countries, Peru and Nigeria. Lack of stakeholder engagement outside of the capital city is a significant limitation of the consultative process. In São Tomé and Príncipe, for example, no stakeholder views were documented on sub-national transfers and distribution of extractive revenues, issues that are critical to local governments and communities. Expanded consultations with stakeholders beyond the capital would not only add value, but would also be essential to the accuracy and credibility of information gathered during the Validation process. This would be the case, for example, in Mali where input from stakeholders in the gold-producing regions of *Kayes* and *Sikasso* would be highly informative, or in Tajikistan where some companies are reportedly unaware of EITI due to their distance from the capital and where there are concerns around limitations to free speech for civil society.

- D. Initial Assessments.** The Initial Assessments were transmitted to our Validation Team from September 2016 through January 2017. These were comprehensive, citing pertinent documentation and stakeholder input to support assessment findings. Stakeholder comments were amply provided, although it was not always clear whether information provided was anecdotal or reflected greater consensus. Furthermore, at times the Initial Assessments did not clarify which group of "stakeholder(s)" (companies, civil society, government, etc.) held a particular opinion or concern. It is important to explain generally what sector(s) the comment or opinion is coming from, while continuing to maintain the anonymity of individuals and particular organizations or entities. Going forward, it would be helpful for the Initial Assessments to briefly describe how meetings and consultations are conducted, and how stakeholder views are documented and corroborated.

The Secretariat did an excellent job in developing the Initial Assessments, especially given time constraints. These constraints unfortunately do not appear to have provided sufficient opportunity for general editorial oversight. Initial Assessments where sections were developed separately then later combined resulted at times in overly wordy or duplicative sections and formatting inconsistencies (particularly with respect to the use of acronyms, abbreviations, and footnotes). In a few cases such as Nigeria's Initial Assessment, lengthy quotations were over-used and essentially replicated sections of the EITI Report. Streamlined and edited assessments would facilitate MSG review as well as the work of the Validator.

- E. MSG Comments.** MSG comments typically followed between two to four weeks after receipt of the Initial Assessments,<sup>2</sup> with the last received in March 2017 (Norway). In the case of Liberia and Solomon Islands, comments were received not from their MSGs but from their National Secretariats. For Kyrgyz Republic, both their MSG and Secretariat provided comments. Additional comments were also received from civil society representatives in the case of Azerbaijan, Norway, and Tajikistan.

MSG comments were presented in various formats, from mark-ups of the Initial Assessment, outlines in tabular fashion, or narrative discussions. It is recommended that the Secretariat develop a template and further guidance for MSG comments.

#### **IV. PHASE II OF THE VALIDATION PROCESS – The Work of the Independent Validator**

SDSG was identified on 1 September 2016 as the independent Validator after a competitive selection process. A contract for our services was signed on 01 November 2016.

- A. Approach.** Over the period of September 2016 through March 2017, the Secretariat's Initial Assessments for the 14 countries as well as MSG comments, in most cases, were transmitted to SDSG. We undertook this second phase of the Validation process through:

- In-depth review and marking up of the Initial Assessment by each team member;
- Detailed review and comments by the Multi-Stakeholder Specialist of Requirements 1 and 7;
- Detailed review and comments by the Financial Specialist of Requirements 2 through 6;
- Overall coordination, review, and drafting by the Team Leader;
- Review and consideration of MSG comments and any comments received;
- Consolidation of detailed comments on the mark up of the Initial Assessment; and
- Consolidation of reviews and finalization of the Validation Report.

As the Independent Validator, SDSG was not expected to duplicate the data collection and consultation work of the Secretariat. We carefully reviewed the Initial Assessments and applicable references to determine each country's level of progress against the

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<sup>2</sup> In some cases, MSG comments were received on or about the same day as the Initial Assessment (Azerbaijan, Peru, Mongolia). In others, MSG comments were received about one to almost three months later (e.g. Kyrgyz Republic, Tajikistan, Norway).



requirements of the 2016 Standard, and summarized our findings in a Validation Report for each country. Our Validation Reports were also peer reviewed in several cases by an additional approved expert prior to submission to the EITI International Secretariat. We thereafter forwarded our Validation Reports to the Secretariat for submission to the Board through the Validation Committee.

- B. Time Constraints.** The timeframe for our Validation Team to undertake the work required was generally limited and did not readily accommodate further stakeholder outreach beyond the Secretariat. The earlier period of our work was particularly constrained, as the first five Validations had to be undertaken almost simultaneously, with some deadlines set even before our contracting process had been completed. Fairly severe time constraints are not optimum for the process which calls for dedicated focus to be satisfactorily thorough and collaborative. While subsequent time frames were more flexible, these nevertheless remained unaccommodating of further stakeholder outreach.
- C. Substantive Constraints.** The Validation Guide provides that *“The Board may request that the Validator undertake spot checks on specific requirements.”* It also provides that *“Where the MSG wishes that Validation pays particular attention to assessing certain objectives or activities in accordance with the MSG work plan, these should be outlined upon the request of the MSG.”* These provisions point to valuable opportunities to deepen the assessment of implementation and impacts of EITI implementation. Our Validation Team did not receive requests of either kind, however, which may be a consequence or effect of time constraints on substantive aspects of the process. Going forward, it is strongly recommended that the Board and the MSGs of countries undergoing Validation be proactively engaged in identifying specific requirements and activities for more detailed scrutiny and evaluation.
- D. MSG Comments.** MSG comments on the Initial Assessments are valuable for the Validation process. In general, these comments sought to either dispute or clarify findings, at other times, these presented actions after the applicable period of review. In exceptional circumstances, some comments provided sufficient basis to amend our findings. There were occasional delays in receipt of MSG comments, and also some uncertainty expressed by MSGs regarding if and whether their comments on the Initial Assessment would be considered in the Validation Report. Our team acknowledged all comments received and endeavoured to specifically address these in our Validation Reports.

## V. PROGRESS IN IMPLEMENTATION

- A. Comparative Assessment Card.** Below is a comprehensive chart that documents our assessment of progress of each of the 14 countries with Requirements 1 through 7. The embedded arrows reflect instances where and to what extent our findings differed from those of the International Secretariat.



**B. Validator’s Findings *vis-à-vis* International Secretariat’s Findings.** There was general alignment in our findings and those of the International Secretariat for the 14 countries, however:

- A variance occurred in an average of 4.6 instances out of the 34 sub-requirements, with Timor-Leste having the least variance (2) and Norway having the most (7).
- Most of the dissimilar findings involved a ‘downgrade’ of one level (e.g. from Satisfactory to Meaningful), although there were also nine instances of ‘upgrades in the case of Liberia, Mali, Mongolia, Norway, Peru, and Solomon Islands.
- The only occurrence where we differed from the Secretariat by two levels concerned Norway’s implementation of Requirement 1.3 on Civil Society Engagement; the Secretariat’s finding was Beyond Satisfactory while we assessed their compliance as Meaningful.
- There were also a few instances where the variance occurred due to a difference in interpretation of whether a requirement was ‘Not Applicable’ or progress was found to be ‘Inadequate.’

**C. EITI Provisions and Levels of Compliance.** The extent to which the different EITI Provisions are adhered to, and specific levels of progress, are summarized in Table 2 below.

*Table 2: Overview of Provisions and Implementation Progress*

1. Majority Demonstrated Satisfactory Progress or Beyond	2. Majority Demonstrated Meaningful Progress & Above	3. Half or More Demonstrated Meaningful Progress & Below	4. Most Instances of Inadequate Progress	5. Instances of No Progress
2.1 Legal Framework (12) 1.1 Gov. Engagement (11) 3.1 Exploration Data (11) 4.8 Data Timeliness (11) 1.2 Industry Engagement (9) 7.1 Public Debate (9) 7.3 Follow Up on Recommendations (9) 4.7 Disaggregation (8)	1.1 Gov. Engagement (13) 1.2 Industry Engagement (13) 1.3 Civil Society Engagement (13) 1.5 Work Plan (12) 1.4 MSG Governance (10) 2.1 Legal Framework (14) 2.2 License Allocations (9) 2.3 License Registers (13) 2.4 Contract Disclosure (9) 3.1 Exploration Data (14) 3.2 Production Data (11) 3.3 Export Data (8) 4.1 Comprehensiveness (12) 4.5 SOE Transactions (9) 4.7 Disaggregation (12) 4.8 Data Timeliness (13) 4.9 Data Quality (10) 5.1 Revenue Management (12) 6.3 Economic Contribution (14) 7.1 Public Debate (13) 7.3 Follow Up on Recommendations (12) 7.4 Outcomes/Impact (13)	4.9 Data Quality (13) 2.3 License Registers (12) 4.1 Comprehensiveness (12) 7.4 Outcomes/Impact (12) 1.5 Work Plan (11) 1.4 MSG Governance (10) 2.2 License Allocations (10) 6.1 Mandatory Social Expenditures (10) 2.6 State Participation (9) 1.3 Civil Society Engagement (7) 6.3 Economic Contribution (7)	2.6 State Participation (6) 6.1 Mandatory Social Expenditures (5) 1.5 Work Plan (4) 2.4 Contract Disclosure (4) 4.9 Data Quality (4)	6.3 SOE Quasi-fiscal Contributions (3) 4.3 Barter Agreements (2) 4.4 Transportation Revenues (2) 2.4 Contract Disclosure (1) 4.2 In-Kind Revenues (1) 5.3 Distribution of Revenues (1)

Key insights may be drawn from this data, including:

- These 14 countries demonstrated at least meaningful progress in 22 of the 31 applicable sub-requirements.<sup>3</sup> On the whole, requirements falling under columns 3 to 5 need particular attention, as implementation is below satisfactory in a significant number of countries.
- At least meaningful progress was demonstrated by *all* the countries (with no instances of ‘inadequate’ or ‘no progress’) on Requirements 2.1 on Legal Framework, 3.1 on Exploration Data, 4.8 on Data Timeliness, and 6.3 on Economic Contribution. Reporting deficiencies were nevertheless observed, for example, with respect to a summary description of fiscal devolution and data on the informal sector.
- Nearly all countries demonstrated at least meaningful progress on the requirements pertaining to Outcomes and Impact. The need to strengthen engagement with MSG members as well as with wider constituencies of industry and civil society was often noted by stakeholders, particularly in the production of the Annual Progress Reports and review of the impact of EITI Implementation.
- At least half of the countries demonstrated less than satisfactory progress on MSG Oversight requirements 1.3 on Civil Society Engagement, 1.4 on MSG Governance, and 1.5 on the Work Plan.
- Thirteen of the 14 countries demonstrated less than satisfactory progress with respect to Requirement 4.9 on Data Quality, the single exception being Ghana. The issue of proper assurances was the most common implementation deficiency, and we strongly recommend that the wording of this provision be clarified to align with international standards and to incorporate agreed upon assurance measures – including certifications by qualified personnel from reporting entities or limited assurance opinions rendered by the entities' outside auditors.

**D. Comparison of Countries' Progress.** The progress of the 14 countries in implementing the different EITI Requirements is summarized in Table 3 below.

Table 3. Comparative Progress

Progress (Score)	Azerbaijan	Ghana	Kyrgyz Republic	Liberia	Mali	Mauritania	Mongolia	Nigeria	Norway	Peru	Sao Tome & Principe	Solomon Islands	Tajikistan	Timor-Leste
None (0)	0	0	3	2	1	1	0	0	0	0	0	1	2	0
Inadequate (1)	1	1	10	4	3	4	2	3	3	7	0	13	9	0
Meaningful (2)	9	10	11	10	9	11	11	18	7	5	12	7	8	9
Satisfactory (3)	15	15	5	10	12	12	15	9	8	12	9	2	8	14
Beyond (4)	0	0	0	0	0	0	1	0	7	3	0	0	0	0
Not Applicable	9	8	5	8	9	6	5	4	9	7	13	11	7	11
Total	34	34	34	34	34	34	34	34	34	34	34	34	34	34
Average Score	3.56	3.54	2.62	3.08	3.28	3.21	3.52	3.20	3.76	3.41	3.43	2.43	2.81	3.61

<sup>3</sup> Three requirements were not yet required to be assessed for these Validations: 2.5 on Beneficial Ownership, 5.3 on Distribution of Revenues, and 7.2 on Data Accessibility. In addition, sub-requirement 6.2.b on Discretionary Social Expenditures was not applicable.

Key observations include the following:

- None of the countries were subject to all the requirements. Countries for which eight or more requirements were not applicable were: São Tomé and Príncipe (13), Solomon Islands (11), Timor-Leste (11), Azerbaijan (9), Mali (9), Norway (9), Ghana (8), and Liberia (8).
- Countries where most requirements were found to be applicable were Nigeria (30), Mongolia (29), Kyrgyz Republic (29), Mauritania (28), Peru (27), and Tajikistan (27).
- The majority of the countries (8) did not have requirements where *No Progress* was assessed.
- Timor-Leste and São Tomé and Príncipe were the only countries for which there were no findings of either '*No Progress*' or '*Inadequate Progress*.' They were also countries with relatively small extractive sectors for which many EITI Requirements were not applicable.
- Countries that demonstrated furthest progress across the different requirements, without a finding of *No Progress* in any, were Azerbaijan, Ghana, Mongolia, Nigeria, Norway, Peru, São Tomé and Príncipe, and Timor-Leste.
- Although Azerbaijan is among the countries that showed furthest progress across the applicable requirements, it was also the only country for which progress on Requirement 1.3, Civil Society Engagement, was found to be inadequate. The EITI Board later confirmed that Azerbaijan had not "fully met the corrective actions related to civil society space." Disputing this finding, Azerbaijan has withdrawn from the EITI.

These developments underscore the fundamental importance of the MSG Oversight provisions, specifically engagement of the government, industry, and civil society (Requirements 1.1, 1.2, and 1.3). These provide the foundations of transparency and multi-stakeholder engagement on which all the disclosure requirements depend.

In this regard, only five countries were found to have made satisfactory progress on said requirements: Ghana, Liberia, Mali, Peru, and São Tomé and Príncipe.

**E. Disclosure and Reporting.** The 14 countries generally demonstrated a commitment to sustained and timely reporting, which was particularly evident for those that have long worked with the EITI (e.g.: Ghana, Nigeria, Mongolia, and Mali). The number of covered companies and revenues across the countries typically increased through the years.

**1. Reporting Innovations.** Various reporting innovations are evident, including:

- Inclusion of the agriculture and forestry sectors, and reporting of all payments by covered companies (Liberia);
- Reporting by sub-contractors and buying houses related to artisanal and small-scale mining (Mali);

- Reporting of industry contributions to environmental funds and reporting by subnational governments (Mongolia); and
- Coverage of the solid minerals sector, including assessments of physical and process flows alongside the reconciliation of financial payments (Nigeria).

While a few countries have, or are considering, expanded EITI reporting to other sectors, most have maintained it in the oil and gas or mining sectors. Despite suggestions from some in civil society, for example, Norway has kept EITI narrowly focused on the oil and gas sector, given what it deems to be the immaterial contribution of the mining sector. Whether to expand EITI coverage is a complex decision, more so when implementation concerns exist for currently covered sectors.

2. **General Areas for Improvement.** While there is ample evidence of increased disclosures pursuant to the EITI Standard, there are continued challenges. In Solomon Islands, for example, there is resistance to full disclosure by industry and government to the extent that the Independent Administrator resorted to the payment of 'facilitation fees' to obtain data that should be freely accessible. Other unique challenges exist, such as for São Tomé and Príncipe, whose request for adapted implementation was approved by the EITI Board in light of reporting challenges in the Joint Development Zone.

EITI disclosure and reporting aspects that need to be addressed are evident from the discussion under Table 1 in Part V(C) above. In general, recurring themes on EITI reporting include, without limitation, the need to:

- Ensure the scope of reporting is in line with the 2016 EITI Standard;
- Further integrate and mainstream EITI reporting in government and company systems;
- Facilitate more frequent and accessible disclosure of updated data;
- Develop computerized tracking systems to monitor receipt and transfer of revenues;
- Automate EITI data collection to improve the efficiency of government reporting;
- Improve disclosure of sub-national payments given community concerns around the impacts and benefits of extractive operations; and
- Rigorously develop or revisit definitions of materiality.

More than with any other requirement under Provisions 2 through 6 of the 2016 EITI Standard, MSGs failed to define in advance and to document, pursuant to Requirement 4.1 on Comprehensiveness, their discussions, options considered, and rationale regarding materiality definitions and reporting thresholds for extractive sector payments and revenues. This generally led to a lack of clarity, and often contradictory positions taken, in the EITI Reports.

### 3. Examples of Specific Reporting Deficiencies.

In a significant number of instances, the following were not sufficiently disclosed:

- License coordinates or acceptable alternative location information (Req. 2.3);
- Reforms regarding contract disclosure and references to locations where contracts are published (Req. 2.4);
- Information regarding disaggregation of production data, particularly by region (Req. 3.2), and export data (Req. 3.3);
- With respect to the state's share of production and other in-kind revenues, disaggregated volumes sold and revenues received by individual buying company (Req. 4.2);
- Level of disaggregation particularly by government entity (Req. 4.7);
- Links to financial reports that properly account for revenue streams not recorded to the national budget (Req. 5.1); and
- The nature and value of, and the name and function of the beneficiaries of, in-kind benefits of social expenditures (Req. 6.1).

Where the 2016 EITI Standard requires specific actions by MSGs, deficiencies included the failure to expressly:

- Make the required determination as to state participation (Req. 2.6), which was at times made instead by the Independent Administrator or inferred from the EITI Report;
- Determine that subnational direct payments were immaterial (Req. 4.6);
- Document MSG agreement on the level of disaggregation (Req. 4.7);
- Develop a reporting process for quasi-fiscal expenditures (Req. 6.2); and
- Determine that no barter or infrastructure agreements were in place (Req. 4.3).

**F. MSG Governance.** The 14 countries have established functioning MSGs, with the day-to-day work carried out – and in some cases, driven – by the National Secretariats. MSGs generally hold regular meetings and adequately maintain records and minutes, which are critical documents for implementation and monitoring. The degree to which the different MSGs function in accordance with their TORs varies. In some cases, their operations are hampered by inconsistent leadership, unclear protocols, and lack of coordination and communication. In most cases, constraints in funding and human resources have affected MSG operations. The latter covers the technical and administrative capacity of the National Secretariats as well as the capacities of civil society, the government, and industry in engaging with EITI and in collaborating with one another.

In general, the establishment of the MSGs was characterized by inclusiveness and enthusiasm, and the challenge for many is to sustain engagement and implementation, facilitate smooth transitions to new members – especially through major changes in government – while ensuring that there is continuity in knowledge and management.

## G. Stakeholder Engagement

- **Government Engagement.** Key ministries are represented on the MSG, and their participation has largely been sustained. In some cases, however, government leadership has waned somewhat; senior government officials have delegated attendance at MSG meetings and other EITI responsibilities to proxies with little to no decision-making authority (e.g. Mongolia, Kyrgyz Republic, Liberia). Government participation may also need to expand to other key agencies in certain countries (e.g. Mauritania). Government engagement should also extend to stakeholder outreach particularly in regional and local areas. In the exceptional case of Solomon Islands where the lead EITI official declined to participate in this Validation process, government leadership may be questionable. In general, however, commitment by governments to implement EITI remains strong.
- **Industry Engagement.** Companies in the 14 countries are generally engaged in the EITI, and are represented on the MSG. In several cases, however, there is little evidence of industry consulting with their broader constituencies. Company participation is strong in countries like Liberia, where reporting is legally mandated, and in Mauritania, where the number of covered companies has significantly increased. Even where it is strong, it can be expanded further through company networks and to medium and small companies, for example, only producing large-scale companies are directly represented in the Mali MSG, to the exclusion of those involved in exploration or ASM. Company engagement needs to be strengthened particularly in Solomon Islands, but also in Kyrgyz Republic, Nigeria, Tajikistan, and Timor-Leste.
- **Civil Society Engagement.** In general, civil society organizations (CSO) are highly engaged in EITI implementation as members of MSGs and in EITI outreach efforts. CSOs in Mali and Liberia, for example, lead dissemination efforts and have produced analytical reports. Procedures for the representation of CSOs on MSGs and their refreshment are at times unclear, however; for example, CSOs in Norway were unable to identify new candidates at the end of the term of the prior MSG. Internal governance protocols would be helpful, for example, Mauritanian CSOs adopted an internal Code of Conduct to provide greater clarity and improve internal governance.<sup>4</sup> Such protocols would also help ensure balanced representation, for example, the prominent involvement of CSOs focused on women's and gender issues was most notable in Solomon Islands.

Despite widespread participation of CSOs across the 14 countries, capacity constraints among them persist and affect their level of engagement to varying degrees. Many need strengthened capacity to better understand extractive industries and to carry out EITI-related activities. There is also a need to broaden engagement further, particularly to subnational levels, as there is little evidence of CSOs consulting or engaging with their wider constituencies.

In Azerbaijan and Tajikistan, CSOs remain engaged despite constraints on free speech. Where there are such fundamental concerns, the importance and value of maintaining a credible multi-stakeholder platform such as the MSG cannot be overstated.

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<sup>4</sup> This corrective action took place after 1 July 2016, however, and could not be considered in this Validation process.



**H. Implementation Innovations.** Several countries instituted key innovations to the EITI process, including, without limitation:

- Regional EITI implementation, which Peru has piloted in Moquegua and Piura, transparently transferring extractive industry revenues and significantly advancing the subnational dimension of the EITI;
- Reporting on aspects beyond the EITI requirements, such as subnational transfers and expenditures, local content, and ASM (Ghana), and post-award process audits of licenses and permits (Liberia);
- Coverage beyond mining and oil and gas to other resource sectors (Liberia)
- Designation of local or sub-national EITI councils, representatives, or focal points (Mauritania, Liberia, Mongolia)
- Establishment of an “Extractives Learning Club” for high school students (Liberia);
- Participation in the Beneficial Ownership pilot (Tajikistan, Nigeria, Kyrgyz Republic, Liberia);
- Increased EITI data accessibility through an online data portal (Mongolia); and
- Reporting on assessments of physical and process flows alongside reconciliation of financial payments (Nigeria).

**I. Key Constraints in EITI Implementation.** The principal constraints experienced by countries that negatively affect EITI implementation include, without limitation:

- **Funding Constraints and Lack of Financial Sustainability.** Nearly all countries operate with financial constraints. Kyrgyz Republic, for example, reported a severe lack of funding since 2014. Liberia, which directly allocates government support, reduced funding due to the Ebola crisis and other factors. In São Tomé and Príncipe, the government has also committed modest funding but support comes mainly from external sources, including the World Bank’s Multi-Donor Trust Fund and the African Development Bank. Other countries, such as Tajikistan, are entirely dependent on these international grants, which when delayed, have hampered EITI implementation.
- **Capacity Constraints.** Government, industry, and civil society experience varying degrees of capacity limitations across the different countries. These impact CSOs the most, however, and limit their ability to engage more effectively within the MSG and with their broader constituencies. Capacity constraints are exacerbated in areas with low levels of literacy, language barriers, and limited access to the internet, media, and other forms of communication.
- **Political Developments.** EITI implementation in several countries has been affected or delayed due to political developments and changes in administration. In Liberia, for example, the impact of the general elections in October 2017 presents some uncertainty with respect to government representation on the MSG. EITI implementation in Mauritania has been vulnerable to high-level political changes, as has also been the case in Mali due to periods of political turbulence.

## VI. IMPACT OF EITI IMPLEMENTATION

Impact studies would be very helpful in assessing the EITI, although it does not appear that countries have incorporated these as a matter of course. Impact studies were recommended, for example, for Mali, Norway, and Peru. In some cases, the lack of a rigorous approach to monitoring and assessing the impacts of implementation is tied to inadequacies in work planning and development of APRs. In the case of Azerbaijan and Solomon Islands, various stakeholders noted that improved information and heightened awareness do not appear to have led to more rigorous data analysis nor to concrete reforms. Contributing factors for this may include stakeholders' uncertainty in designing measurable objectives, in applying appropriate methodologies for assessing impact, and the lack of sustained outreach efforts across the country. Impacts will be more limited if stakeholders cannot point to discernible positive changes that they directly experience or witness because of the EITI, i.e. where there is little evidence of a "human face" to EITI.

Nevertheless, there was broad consensus by stakeholders in most countries covered by this Validation process that EITI has resulted in a range of positive impacts, principally:

- A. Increasing Public Awareness and Debate.** While EITI appears to have had limited impact in some countries (Azerbaijan, Kyrgyz Republic), stakeholders in most countries covered by this Validation process confirmed that EITI has contributed significantly to increased awareness and public debate of extractive sector issues (Peru, Ghana, Liberia, Mongolia, Mauritania, Timor-Leste, São Tomé and Príncipe, and others) This is even more evident in countries with sub-national EITI presence, such as: Peru with its regional pilot areas; Liberia with its regional focal points and EITI roadshows; and Mongolia with its subcouncils, 'open days,' and activities at the local *soum* and *aimag* levels.

As further examples of EITI's impact: EITI data in Peru is viewed as credible, and the MSG is institutionalized as a venue for stakeholder engagement – a significant impact of EITI considering the complexity and protracted nature of mining-related company-community conflicts in Peru. São Tomé and Príncipe's EITI Reports provide information about the funding and high expenditures of the Joint Development Authority, contributing to public debate among civil society all the way to the heads of state of the country and to Nigeria on the need for further disclosure and reforms. EITI in Mauritania has played a particularly critical role in highlighting the importance of fiscal transparency given concerns around corruption. And with over a decade of implementation, EITI in Nigeria has contributed to greater public understanding of the extractives sector and national debate regarding governance of extractive industries.

- B. Fostering Trust Among Stakeholders.** One of EITI's most important contributions as regularly expressed by stakeholders in all sectors is improving disclosures and transparency, which in turn helps to build trust within the extractive sector. This is especially the case in countries with a history of conflict and mistrust (e.g. Liberia, Peru, Mali). EITI is viewed as an institutional mechanism for constructive multi-stakeholder dialogue, respect, and relationship-building on the national and subnational levels, including engagement with host communities (e.g. Mongolia, Mauritania). Even where other aspects of EITI implementation may be uneven, trust-building is fundamental. For Solomon Islands where government and industry engagement is weak, there is broad consensus that EITI has provided the foundation

and springboard for collaboration and the building of trust among the stakeholder groups through the MSG and its work on planning, reporting, and information dissemination.

**C. Improving Governance of the Extractive Sector.** Across the different countries, there was general consensus that EITI has contributed to improved disclosures and reporting, and to the acceptance of transparency and accountability as principles of good governance. This is manifested in many different ways, for example:

- EITI in Ghana has led to increased scrutiny of timeliness and distribution of mineral royalties to local government, and monitoring of how mineral revenue is utilized;
- The Mauritanian government, where the MSG is chaired by a senior advisor to the Prime Minister, views EITI as central to public finance management and its anti-corruption strategy;
- EITI Reports in Nigeria have led to recovery of more than USD 2.4 billion for the Federal Government;
- EITI in Peru helps ensure that extractive sector revenues flow to local areas;
- EITI Reporting in São Tomé and Príncipe revealed the lack of guidelines in monitoring and management of social projects, which has created pressure on the government to become more accountable; and
- Most government agencies in Timor-Leste publish the information required to be disclosed under the EITI Standard on government websites and in their own quarterly and annual reports.

**D. Increasing Knowledge and Building Capacity.** While there will be a continuing need to improve capacity on the part of all stakeholders, particularly civil society, there is broad consensus that EITI is contributing to this goal. This was expressed in a variety of ways, for example:

- Stakeholders in Azerbaijan acknowledge that EITI has contributed to greater understanding of, and technical knowledge about, the extractive sector.
- CSOs in Liberia noted that prior to EITI, communities did not know how much in resource revenues was paid to and received by the government, and that this knowledge helps avoid conflict at the local level.
- In Mali, EITI data information is more credible than information originating from either government or industry alone, and this has contributed to greater understanding of the extractive sector. This information has helped empower communities to ask questions of the government and companies, increasing public discourse.
- Through the EITI, local residents in Mongolia gained access to information on the number of licenses active in their *soum* and *aimag*, where previously, only the local governor had access to this information.
- CSOs in Tajikistan have gained the knowledge and capacity to take on the role of information dissemination, holding public events even in areas outside the capital.

**E. Supporting Reforms.** EITI Implementation has helped the government and other stakeholders in various countries to propose or institute various reforms. Examples include:

- EITI in Ghana contributed to the enactment of a new Income Tax Act and development of guidelines for the utilization of mineral royalties at the national and subnational levels.

- EITI implementation in Mali has led some communities to seek the establishment of regional EITI offices to improve information dissemination and better monitor subnational payments as well as local resource management.
- Stakeholders in Mauritania have proposed extending the scope of EITI reporting to the fisheries sector, establishing the Fisheries Transparency Initiative for which the Prime Minister requested the support of the MSG.
- Nigeria has instituted various reforms based on EITI recommendations, including: Nigerian National Petroleum Corporation (NNPC) reforms related to offshore processing agreements, swaps, subsidies, and Nigeria Liquefied Natural Gas dividends; NNPC's introduction of the Software Application Project; and Federal Reserve Service development of the Upstream Operational Manual.
- São Tomé and Príncipe is also exploring the inclusion of the fisheries sector in EITI, with a scoping study funded by the African Development Bank.

**F. Contributing to Positive Investment Climate.** Stakeholders in several countries, particularly from the government and industry sectors, have expressed that participation in EITI can lend credibility to and support an environment for investments (e.g. Azerbaijan). While there is little evidence of a direct causal connection in this regard, government representatives in Mongolia noted that transparency in revenues and expenditures has created a supportive environment for investment. EITI in Tajikistan has also been impactful in uncovering issues that deter investments, such as lack of transparency in license allocation, lack of geological data, lack of publicly available data on licenses and contracts, cumbersome licensing procedures, and uncertainty in the fiscal regime.

## VII. SUMMARY OF RECOMMENDATIONS

Following are recommendations to strengthen EITI implementation. These are culled from the 14 Validation Reports and have cross-cutting application.

- A. Financial Sustainability.** MSGs should explore and develop sustainable funding models for EITI implementation, including government allocations and diversified donor support. These would include domestic, foreign, and multilateral sources to support both short-term and broader, multi-year activities.
- B. Government Engagement.** Governments are encouraged to develop mechanisms to:
- Sustain high-level political commitment to EITI, and ensure that this is matched by operational engagement of line ministries in oversight, outreach, and dissemination;
  - Institutionalize EITI operations and ensure that MSGs remain operational through elections or other political changes;
  - Extend participation in EITI to other key ministries;
  - Ensure consistency in government attendance and participation at MSG meetings;
  - Remove any legal and practical obstacles for civil society engagement, and ensure that there is an enabling environment to freely express their views on natural resource governance;
  - Ensure full, active, and effective engagement of companies and CSOs in the EITI process.

- C. Industry Engagement.** Companies are encouraged to:
- Formalize mechanisms for consultation with and coordination of its broader constituency with a view to improving company engagement in outreach and dissemination activities;
  - Develop clear protocols for appointing representatives and alternates to the MSG; and
  - Ensure effective representation in the MSG and sustained participation at MSG meetings.
- D. Civil Society Engagement.** CSOs are encouraged to:
- Agree or confirm their policy for political and operational independence;
  - Undertake a capacity building needs assessment, develop programs to address capacity constraints, and advocate for these programs' inclusion in the EITI work plan;
  - Develop feedback mechanisms for CSOs not on the MSG;
  - Establish robust mechanisms for consultation with their broader constituencies;
  - Develop and agree on constituency guidelines that effectively set out the process by which representatives and alternates in the MSG will be selected and held accountable; and
  - Establish clear mechanisms for communication and collaboration with local communities.
- E. MSG Governance.** Where applicable, MSGs in the different countries should:
- Undertake regular needs assessments and implement a capacity building plan for members;
  - Regularly review and confirm agreements on internal procedures of the MSG, including:
    - decision-making processes;
    - ensuring adequate representation of interested stakeholders without increasing membership to the extent that it becomes inefficient; and
    - mechanisms allowing MSG members to consult with and reach out to their constituencies to ensure greater accountability, allow for broader participation in EITI implementation, and clarify practices related to re-election or refreshment of members.
  - Ensure that records and minutes adequately reflect the substance of MSG meetings;
  - Establish clear and firm rules to avoid conflicts of interest involving members who may be paid to work on EITI matters that they may later be tasked to review and evaluate;
  - Consider approaches to ensuring consistency in company participation, including legislative or regulatory reforms to address any confidentiality issues or other barriers (actual or potential);
  - Undertake sustained outreach activities directed at CSOs and companies that are not currently on or affiliated with the MSG;
  - Develop consultation mechanisms with concerned communities (e.g. through regional focal points) and provide them with a meaningful voice on the MSG;
  - Support the national secretariats through focused and specific capacity building or further recruitments, as appropriate.
- F. Work Plans.** MSGs should:
- Review their annual work plans and undertake consultations with broader constituencies to ensure that work plan objectives are aligned with national priorities;
  - Articulate a clearer explanation of the links between the work plan objectives, the extractive sector, and national priorities;

- Ensure that work plans are kept up to date and made widely accessible in a timely manner;
- Expand consultation on the work plan objectives to include stakeholders beyond the MSG; and
- Ensure that activities in the work plan have clear targets, timetables, and funding sources, so that they are measurable and can be implemented effectively.

**G. Independent Administrators (IAs).** MSGs should:

- Ensure that TORs for IAs are aligned with the standard Board-approved TOR, and that they specifically discuss and document the TOR for, and selection, of the IA.
- Ensure any deviations from the standard TOR for the IA in future EITI Reports are non-material and base discussion of assurance procedures on an assessment of actual practice.
- Work with IAs to develop a robust and pragmatic approach for addressing the quality assurance of EITI disclosures from both government and companies.
- Ensure that IAs provide an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed and limitations of the assessment provided.
- Assess prevailing audit and assurance practices among companies and government entities and, together with the IA, agree on assurances that enable a credible reporting process and do not create an unreasonable burden for reporting entities.

**H. Disclosures.** MSGs are encouraged to:

- Undertake scoping studies to ensure that all aspects of the EITI Standard are considered, including revisiting the definition of materiality and covered revenue streams, and reviewing what information is required or encouraged to be disclosed, and what is publicly available.
- Consider opportunities to mainstream EITI disclosures, as some government agencies are adopting this approach in order to meet EITI reporting obligations.
- Require more detailed reporting on informal extractive industry activities in EITI reports, and ensure that reliable statistics are documented.
- Consider opportunities to harmonize any existing databases of extractive industry companies across different government entities to ensure consistent license-holder information;
- Consider the publication of post-award audit reports.

**I. Beneficial Ownership (BO).** Going forward, the MSGs should ensure that government policy on BO disclosure, information on legal ownership, actual disclosure practices, and any relevant reforms are clearly stated.

**J. State Participation.** MSGs should agree on a clear definition of State-Owned Enterprises (SOEs) and of quasi-fiscal expenditures undertaken by SOEs in the extractive industries. MSGs should also clarify the practices related to SOEs' retained earnings and reinvestment, any changes in government ownership, and any loans or loan guarantees extended by the state or SOEs to extractive companies.

**K. Subnational Payments and Transfers.** MSGs should assess the materiality of subnational payments and subnational transfers. They are encouraged to develop programs to strengthen the capacity of local communities to monitor social expenditures, support financial literacy, and implement EITI at the local level. MSGs are also encouraged to conduct activities to strengthen local government capacity, and encourage local governments to establish disclosure practices on subnational payments or transfers, and uses of these funds.

**L. Social Expenditures.** MSGs should:

- Clarify the scope and reporting process for mandatory social expenditures, including the nature and deemed value of such expenditures and the beneficiaries.
- Study the feasibility of reconciling mandatory social expenditure disclosures and consider establishing a framework for reporting voluntary social expenditures.
- Discuss the scope and applicability of social contributions under Provision 6.1 and quasi-fiscal expenditures under Provision 6.2, and confirm if these would include local content and expenditures made pursuant to community or other agreements.

**M. Contribution of the Extractive Sector.** The MSG should agree on a definition of extractive industry employment, considering whether to include non-permanent staff and ways of publishing this information in a more timely manner online.

**N. Communications and Information Dissemination.** MSGs are encouraged to:

- Widely publish summary reports to share with media and civil society stakeholders (in hard copy), translated into local languages, where necessary.
- Ensure that information is available online and regularly uploaded on the EITI website, and unitize more online networking tools (especially where the use of social media is prevalent).
- Work more closely with the media and local CSOs in dissemination activities.
- Review and formalize outreach and stakeholder consultation mechanisms – including with local governments and communities – to improve the relevance of MSG discussions to national debates and address concerns of stakeholders outside the MSG.
- Consider ways to ensure that CSOs and other stakeholders are encouraged to participate more actively in broader communications strategies, and not only on dissemination activities.

In relation to the last point, CSOs are encouraged to strengthen their outreach on EITI issues beyond dissemination of EITI Reports, to enhance the inclusiveness of the EITI process and ensure local demands for information are considered in national MSG discussions.

**O. Data Accessibility.**

- The MSG is encouraged to conduct a feasibility study to identify what information should be disclosed under the EITI Standard, what is already publicly available, and what is not yet routinely disclosed. Opportunities for providing more EITI data in open data formats could also be explored.
- The government is encouraged to entrench extractive sector transparency in its systems, and move toward more frequent publication of EITI information, including online reporting, based on the routine disclosures by government agencies and companies.

- Industry is encouraged to consider opportunities to integrate assurance of EITI disclosures in their routine audit and public financial reporting.
- The MSG is encouraged to explore mechanisms to speed up the publication of EITI Reports, for example, waiving the confidentiality rights to taxpayer data disclosed in the EITI; automated reporting and online disclosures.
- MSGs should agree on a clear policy on the accessibility, dissemination and use of EITI data (a requirement from 1 January 2017).

**P. Follow Up on Recommendations.** MSGs are encouraged to consider recommendations from past EITI Reports and Validation and document follow-up and implementation measures, including responsible parties and timelines for action items.

**Q. Assessing the Impact of EITI.** MSG should use APRs as a self-assessment tool to monitor progress with achieving work plan objectives and to document the impact of the EITI Reports. In addition, MSGs are encouraged to:

- Undertake an impact assessment with a view to identifying weaknesses in implementation and opportunities for increasing impact, in broad consultation with stakeholders including those outside the MSG.
- Consider extending EITI Reporting to revenue management and expenditures.
- Discuss whether and to what extent extractive industry revenues impact local communities, which will contribute to public debate, inform outreach efforts, and help broaden the impact of EITI.
- Explore opportunities for increasing the impact of the EITI by focusing on issues that stakeholders have identified as relevant or problematic.

## VIII. FINAL REMARKS

EITI remains the ‘gold standard’ for transparency in extractive industries for institutionalizing a broad disclosure and reporting system, and for requiring a multi-stakeholder approach throughout planning and implementation. On the whole, the Validations of these 14 countries demonstrate positive levels of implementation. Statistically, less than 20% of the requirements were met with findings of *No Progress* or *Inadequate Progress*, thus, over 80% merited findings of *Meaningful Progress* or greater. Of this 80%, over 43% of requirements merited findings of *Satisfactory* or *Beyond Satisfactory*.

Beyond statistics, some of the most positive impacts of EITI in these countries are difficult, if not impossible to quantify. These include, in many cases, heightened public awareness and increased capacity around extractive sector issues, trust-building among stakeholders, legal and regulatory reforms, and improved governance of the sector.

EITI implementation has been uneven, however, in a number of countries. For example, disclosure practices may be strong, but assessment of outcomes and impact may be weak. In these cases, there is great progress in certain aspects of implementation but far less focus on the analysis and consultative processes necessary for work planning and impact assessment.

There is thus a need not only to meet specific requirements, but also to meet them consistently and effectively. This requires a sustained commitment to EITI implementation, which will be facilitated by addressing capacity and funding constraints as well as by implementing applicable recommendations.



## ANNEX A

### 2016-2017 EITI INITIAL ASSESSMENTS (IA) Phase I, Validation Process<sup>1</sup>

COUNTRY	Desk Review	No. of Days	Country Visit	No. of Days	<sup>2</sup> Venue of Consultations	No. of Members	Team Members	IA Received	MSG Comments Received	Additional Comments Received
Azerbaijan	21 June to 20 July	29	3-9 July	7	Baku	3	Sam Bartlett, Dyveke Rogan Tatiana Sedova	29 September	29 September	Civil Society 30 September
Ghana	21 June to 20 August	60	22 – 26 August	5	Accra	2	Jürgen Beitzmaier (Sr. Adv.) Ines S. Marques (Off)	3 January 2017	16 January 2017	
Kyrgyz Rep.	<i>None stated</i>	<i>None stated</i>	22–26 August	5	<i>Not stated</i>	3	Sam Bartlett, Dyveke Rogan Oliana Valigura	25 November	31 December	Nat'l Secretariat 31 December
Liberia	4-15 July and 15-21 August	17	21-26 August	6	Monrovia	5	Sam Bartlett, Alex Gordy Ines S. Marques, Eddie Rich Pablo Valverde	3 January 2017	<i>None</i>	Nat'l Secretariat 27 January 2017
Mali	26 September to 7 October	11	10-14 October	5	<i>Not stated</i>	3	Bady Balde, Sam Bartlett Gisela Granada	3 January 2017	16 January 2017	--
Mauritania	1–24 August	24	5–10 September	6	Nouakchott	4	Bady Balde, Sam Bartlett Alex Gordy, Eddie Rich	13 December	9 January 2017	--
Mongolia	4–17 June	13	6–8 July	3	Ulaanbaatar	4	Sam Bartlett, Alex Gordy Dyveke Rogan, Tatiana Sedova	29 September	30 September	--
Nigeria	1–24 July	23	25 July to 5 August	12	Abuja and Lagos	5	Sam Bartlett, Alex Gordy Ines S. Marques, Pablo Valverde, Eddie Rich	29 September	20 October	--
Norway	July–October <i>Not specified</i>	4 mos.	21–26 August <sup>3</sup>	6	Oslo	3	Sam Bartlett, Ines S. Marques Pablo Valverde	19 January 2017	13 March 2017	PWYP <sup>4</sup> Norway 13 March 2017
Peru	1-15 July	14	18-22 July	5	Lima and Piura	3	Aida P Aamot, Sam Bartlett Francisco Paris	29 September	5 October	--
São Tomé and Príncipe	28 July to 23 August	26	7–9 September	3	<i>Not stated</i>	3	Sam Bartlett, Ines S. Marques Eddie Rich	3 January 2017	16 January 2017	--
Solomon Islands	1-11 July	10	12-16 July	5	Honiara	3	Sam Bartlett, Gay Ordenes Dyveke Rogan	10 November	<i>None</i>	Nat'l Secretariat 30 November
Tajikistan	1 July to 12 August	42	15–19 August	5	Dushanbe	3	Sam Bartlett, Dyveke Rogan Oliana Valigura	7 October	8 November	CSO member of MSG 1 December
Timor-Leste	21 June to 17 July	26	18-21 July	4	<i>Not stated</i>	3	Sam Bartlett, Gay Ordenes Dyveke Rogan	29 September	10 October	--

<sup>1</sup> Dates are in 2016 unless otherwise stated.

<sup>2</sup> Four IAs – Kyrgyz Republic, Mali, São Tomé and Príncipe, Timor-Leste – did not specifically state the venue of consultations, although these were presumably held in the capital cities of Bishkek, Bamako, São Tomé, and Dili, respectively.

<sup>3</sup> IA states additional meetings were held in October and November 2016.

<sup>4</sup> Publish *What You Pay* civil society organization.

## ANNEX B

### Detailed Comparative Assessment of Compliance with Requirements

1.1 **Government engagement.** Of the 14 countries that underwent Validation, 11 made *satisfactory* progress, while two made *meaningful* progress, and one made *inadequate* progress. Areas where the Validation Team regularly noted that improvements could be made included:

- a. Consistent participation of government leaders (particularly senior government leaders) in MSG meetings (not just sending a proxy);
- b. Putting in place a mechanism to sustain government participation in EITI across changes in government leadership, including major political transitions;
- c. Government leadership in overcoming legal barriers;
- d. Institutionalising financial support for EITI and government leadership in addressing funding issues; and
- e. Government participation in stakeholder outreach and events to promote public debate.

Of these themes, the challenges of sustaining government engagement and action on the EITI through major changes in government leadership were most pronounced. Institutionalising financial support for the EITI was also a challenge for many countries. Finally, lack of government engagement in stakeholder outreach, particularly in engagement efforts outside of capital cities, was noted by many stakeholders who were consulted by the EITI International Secretariat.

1.2 **Company engagement.** Under this Requirement, nine countries made *satisfactory* progress, while four made *meaningful* progress and one made *inadequate* progress. The Validation Team regularly noted that the following improvements could be made:

- a. Consistent participation of companies in MSG meetings;
- b. Regular company participation in MSG discussions and decision-making regarding scope, work plans, and other decisions; and
- c. Participation of companies in stakeholder outreach and engagement—including, but not limited to, advocacy for legislative reforms necessary to enable company participation in EITI and to otherwise advance the EITI, and use of company networks to broaden participation in the EITI.

Company stakeholders regularly noted that engagement in the EITI, particularly engagement in multi-stakeholder communications and procedures, and participation in stakeholder outreach at subnational levels, helped reduce local conflicts.

1.3 **Civil society engagement.** A total of seven countries made *satisfactory* progress toward meeting this Requirement, while six countries made *meaningful* progress and one country made *inadequate* progress. Commonly noted areas for improvement were the following:

- a. The need for government to ensure that there is an enabling environment for civil society participation in the EITI and in the broader public debate regarding transparency and natural resource governance issues;
  - b. Action by the MSG to address civil society funding and capacity constraints; and
  - c. Broadening civil society stakeholder outreach to regions outside of the capital city, particularly to areas highly impacted by mining and petroleum production.
- 1.4 **MSG Governance.** Most countries that underwent validation struggled to meet this Requirement. Only two countries made *satisfactory* progress, while 10 countries made *meaningful* progress and two countries made *inadequate* progress. Areas that often needed to be addressed included the following:
- a. Clear procedures for nominating and rotating MSG representatives from all sectors;
  - b. Development and use of mechanisms to ensure that MSG representatives communicate with and reach out to their broader constituencies regarding EITI work plans, reports, and activities—particularly with constituencies at subnational levels;
  - c. Clear procedures regarding per diems;
  - d. Regular MSG meetings, documented by publicly available meeting minutes;
  - e. On-going capacity building to ensure that MSG members are able to fully carry out their duties; and
  - f. Sustainable and adequate EITI funding.
- 1.5 **Work Plan.** Many countries that underwent Validation also struggled with this requirement. Only three countries made *satisfactory* progress, while seven countries made *meaningful* progress, and four countries made *inadequate* progress. Areas where improvements could be made often included:
- a. Ensuring that the work plan reflects national priorities for extractive industries;
  - b. Clearly linking work plan activities with work plan objectives;
  - c. Producing timely work plans that are the product of consultations that extend not only to MSG members, but also to their broader constituencies;
  - d. Making the work plan publicly available and accessible;
  - e. Including specific plans for capacity building activities;
  - f. Detailing plans for implementing recommendations from EITI Reporting and Validation; and
  - g. Ensuring that the work plan is fully costed, noting specific funding sources and including government funding sources.
- 2.1 **Legal Framework and Fiscal Regime.** Twelve countries made *satisfactory progress* in implementing provision 2.1 and two made *meaningful progress*. The most common requirement of this provision that was not fully or adequately addressed in the EITI Reports, and which was not addressed in at least two Initial Assessments, was the requirement to provide a summary description of fiscal devolution within the country.
- 2.2 **License Allocations.** Two countries made *satisfactory progress* in implementing provision 2.2, seven made *meaningful progress*, and three made *inadequate progress*. The provision was *not applicable* to one country because there were no awards or transfers of contracts related to reporting entities during the period covered by the EITI

Report. One of the Initial Assessments did not provide sufficient information on which to assess the country's progress. Of the seven requirements under this provision, there was no consistent pattern in the requirements that the EITI Reports failed to fully or adequately address.

- 2.3 **Register of Licenses.** Two countries made *satisfactory progress* in implementing provision 2.3, 11 made *meaningful progress*, and one made *inadequate progress*. Of the 11 requirements under this provision, there was no consistent pattern in the requirements that the EITI Reports failed to fully or adequately address. However, a lack of license coordinates (or acceptable alternative location information) was a common requirement that the EITI Reports failed to disclose.
- 2.4 **Contract Disclosures.** Seven countries made *satisfactory progress* in implementing provision 2.4, two made *meaningful progress*, four made *inadequate progress*, and one made *no progress*. The most common requirements of this provision that were omitted from the EITI Reports, and in a few instances, the Initial Assessments, were documentation of ongoing or planned reforms and references or links to the locations where the contracts are published. The assessment of Ghana highlights an issue with the wording of 2016 EITI Standard. A country whose stated policy is zero public disclosure can nonetheless show satisfactory progress by stating that policy and disclosing no further information.
- 2.5 **Beneficial Ownership.** Implementing countries are not yet required to address provision 2.5, and progress on this provision does not yet have implications for a country's EITI status.
- 2.6 **State Participation.** Two countries made *satisfactory progress* in implementing provision 2.6, three made *meaningful progress*, and six made *inadequate progress*. The provision was *not applicable* to three countries because the MSGs for those countries determined that state participation in the extractive sector did not give rise to material revenue. The most common deficiency with regard to this provision was the failure of a country's MSG to make the required determination as to state participation. We do not interpret the provision to permit that determination to be made by the Independent Administrator, or inferred from the EITI Report; therefore, without evidence that the MSG made the appropriate determination, we were unable to find satisfactory progress (or in the case of Peru, an instance where we disagreed with the Initial Assessment, meaningful progress).
- 3.1 **Exploration Activities.** Twelve countries made *satisfactory progress* in implementing provision 3.1 and two made *meaningful progress*. A lack of information regarding artisanal and small-scale mining was the most common deficiency with regard to this provision, and the lack of such information was primarily responsible for Liberia being assessed as making meaningful progress, instead of satisfactory progress.
- 3.2 **Production Data.** Six countries made *satisfactory progress* in implementing provision 3.2, five made *meaningful progress*, and two made *inadequate progress*. The provision was *not applicable* to one country because it did not have production during

the period covered by the EITI Report. A lack of disaggregation (in particular, by region) was the most common deficiency in the EITI Reports.

- 3.3 **Export Data.** Three countries made *satisfactory progress* in implementing provision 3.3, five made *meaningful progress*, and three made *inadequate progress*. The provision was *not applicable* to one country because it did not have exports during the period covered by the EITI Report. Two of the Initial Assessments did not provide sufficient information on which to assess the countries' progress. As with the provision regarding production data, the most common deficiency regarding this provision was a lack of sufficient information regarding disaggregation, which was not addressed in the two Initial Assessments that did not provide sufficient information for assessment.
- 4.1 **Comprehensiveness.** Two countries made *satisfactory progress* in implementing provision 4.1, ten made *meaningful progress*, and two made *inadequate progress*. More than with any other requirement of Items 2-6 of the 2016 EITI Standard, MSG's failed to define in advance and to document their discussions, options considered, and rationales regarding materiality definitions and reporting thresholds for extractive sector payments and revenues, which generally led to a lack of clarity, and often, contradictory positions taken, in the EITI Reports. On two occasions, we disagreed with the conclusion reached in the Initial Assessment because the Initial Assessment did not offer evidence of the appropriate MSG determination and/or documentation of discussions regarding materiality.
- 4.2 **Sale of State's Share of Production and Other In-Kind Revenues.** Two countries made *satisfactory progress* in implementing provision 4.2, four made *meaningful progress*, one made *inadequate progress*, and one made *no progress*. The provision was *not applicable* to six countries because the MSGs for those countries determined that the sale of the state's share of production and other revenues collected in kind were not material. We disagreed with the International Secretariat on two occasions because we interpret the provision to apply in the case where minerals (oil in both instances) to which the state (or SOE) is legally entitled are sold by the operator instead of by the state (or SOE). The most common deficiency in implementing this provision was the failure of the EITI Report to disaggregate volumes sold and revenues received by individual buying company.
- 4.3 **Infrastructure Provisions and Barter Arrangements.** One country made *meaningful progress* in implementing provision 4.3, three made *inadequate progress*, and two made *no progress*. The provision was *not applicable* to eight countries because the MSGs for those countries determined that there were no barter or infrastructure transactions in place during the period covered by the EITI Report. As with other provisions of the 2016 EITI Standard that require specific actions by MSGs, a common deficiency in implementing this provision was the failure of the MSG to expressly determine that no barter or infrastructure agreements were in place.
- 4.4 **Transportation Revenues.** Three countries made *satisfactory progress* in implementing provision 4.4, one made *meaningful progress*, two made *inadequate progress*, and two made *no progress*. The provision was *not applicable* to six countries because the MSGs for those countries appropriately considered the issue of transportation revenues. Unlike other provisions of the 2016 EITI Standard that place specific burdens on an MSG,

provision 4.4 uses the term *expected* as its standard for the MSG's consideration of transportation revenues, which (under the 2016 EITI Standard) requires that the "multi-stakeholder group must consider the issue, and document their discussions, rationale for disclosure/non-disclosure[,] and any barriers to disclosure." Further, the "Validation will consider and document the discussions by the multi-stakeholder group." We can see no reason why the standard regarding transportation revenues should be any different from the standard used for the other revenue streams separately assessed in the 2016 EITI Standard.

- 4.5 **Transactions Involving SOEs.** Five countries made *satisfactory progress* in implementing provision 4.5, four made *meaningful progress*, and two made *inadequate progress*. The provision was *not applicable* to three countries because there were no state-owned enterprises operating in the country during the reporting period.
- 4.6 **Subnational Direct Payments.** Three countries made *satisfactory progress* in implementing provision 4.6, one made *meaningful progress*, and two made *inadequate progress*. The provision was *not applicable* to eight countries because the MSGs for those countries determined that payments made by reporting companies to subnational government entities were not material. As with other provisions of the 2016 EITI Standard that require specific actions by MSGs, a common deficiency in implementing this provision was the failure of the MSG to expressly determine that subnational direct payments were immaterial.
- 4.7 **Level of Disaggregation.** Eight countries made *satisfactory progress* in implementing provision 4.7, four made *meaningful progress*, and one made *inadequate progress*. One of the Initial Assessments did not provide sufficient information on which to assess the countries' progress. The most common deficiency in implementing this provision was a lack of disaggregation by government entity. Many of the EITI Reports provided the minimum level of disaggregation set forth in the 2016 EITI Standard, without documenting whether the MSG agreed on that level of disaggregation – documentation of the specific action required of the MSG was missing from a number of the EITI Reports and Initial Assessments.
- 4.8 **Data timeliness.** Thirteen countries made *satisfactory progress* in implementing provision 4.8 and one made *meaningful progress*. As was indicated in our validation of Timor-Leste, it is possible for provision 4.8 to be implemented with satisfactory progress (i.e., for the EITI Report to be published within the applicable two-year window) but for specific information required for other provisions to be disclosed in documents published outside the window. In Timor-Leste's case, industry's resistance to the publication of timely data caused implementation issues for several provisions other than 4.8.
- 4.9 **Data Quality.** One country made *satisfactory progress* in implementing provision 4.9, nine made *meaningful progress*, and four made *inadequate progress*. We strongly recommend that the wording of this provision of the 2016 EITI Standard be clarified to align with international standards regarding engagements to perform agreed upon procedures, which are not audits, but which may incorporate agreed upon assurance measures – including certifications from entity officials or limited assurance opinions

rendered by entity auditors. The issue of proper assurances was the most common deficiency regarding the implementation of this provision.

- 5.1 **Distribution of Revenues.** Eight countries made *satisfactory progress* in implementing provision 5.1, four made *meaningful progress*, and two made *inadequate progress*. The most common deficiency in implementing this provision was a lack of links to financial reports that properly account for revenue streams not recorded to the national budget.
- 5.2 **Subnational Transfers.** Three countries made *satisfactory progress* in implementing provision 5.2, three made *meaningful progress*, two made *inadequate progress*, and one made *no progress*. The provision was *not applicable* to five countries because there were no material transfers between national and subnational government entities.
- 5.3 **Revenue Management and Expenditures.** Implementing countries are encouraged to address provision 5.3, but progress on this provision does not yet have implications for a country's EITI status.
- 6.1 **Social Expenditures.** One country made *satisfactory progress* in implementing provision 6.1, five made *meaningful progress*, and five made *inadequate progress*. The provision was *not applicable* to three countries because there were no material social expenditures mandated by law or by government contract. The most common deficiency in implementing this provision was the lack of disclosure regarding the nature and value of, and the name and function of the beneficiaries of, in kind benefits.
- 6.2 **Quasi-Fiscal Expenditures by SOEs.** Three countries made *meaningful progress* in implementing provision 6.2, three made *inadequate progress*, and three made *no progress*. The provision was *not applicable* to five countries because there were no SOEs that made quasi-fiscal expenditures during the reporting period. As with other provisions of the 2016 EITI Standard that require specific actions by MSGs, a common deficiency in implementing this provision was the failure of the MSG to expressly develop a reporting process for quasi-fiscal expenditures.
- 6.3 **Contribution of the Extractive Sector to the Economy.** Seven countries made *satisfactory progress* in implementing provision 6.3 and seven made *meaningful progress*. The most common deficiency in implementing this provision was the lack of information regarding informal sector activity.
- 7.1 **Public Debate.** Most countries that underwent Validation were successful in meeting this Requirement. Nine countries made *satisfactory progress*, while four made *meaningful progress* and one made *inadequate progress*. Areas where improvements could often be made include:
- a. Ensuring that outreach events are organized by all MSG stakeholder groups, targeting all of their broader constituencies; and
  - b. Expanding efforts to reach stakeholders at sub-national levels, including translation of communication materials to local languages where necessary.

- 7.2 **Data Accessibility.** Disclosure under this requirement is encouraged and is thus not considered in the overall assessment of compliance.
- 7.3 **Discrepancies and Recommendations from EITI Reports.** Most countries were successful in meeting this Requirement. Of the countries that underwent Validation, nine made *satisfactory* progress, while three made *meaningful* progress and two made *inadequate* progress. Areas that often needed to be improved included:
- a. Taking deliberate steps to act upon lessons learned and consider recommendations resulting from EITI and Validation Reports;
  - b. Address delays in implementation and causes for discrepancies in reporting; and
  - c. Clearly tracking and reporting, through a matrix or otherwise, which recommendations have been successfully addressed and which remain pending, to facilitate future follow up.
- 7.4 **Outcomes and Impact of EITI Implementation on Natural Resource Governance.** Under this Requirement, only two countries made *satisfactory* progress, while 11 countries made *meaningful* progress and one country made *inadequate* progress. Areas where improvements were often noted included:
- a. Involving all stakeholders, including all stakeholders on the MSG as well as wider constituencies of industry and civil society, in the production of the Annual Progress Report and review of the the impact of EITI Implementation; and
  - b. Adequately providing a narrative account of efforts to strengthen impact of EITI implementation on natural resource governance.

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**CONSULTING SERVICES FOR INDEPENDENT VALIDATION, 2016**  
**EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE**

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